



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 2/12/2001

GAIN Report #NI1004

Nigeria

Oilseeds and Products

Annual

2001

Approved by:

David Rosenbloom, Agricultural Counselor

U.S. Embassy, Lagos

Prepared by:

David Rosenbloom, Agricultural Counselor & Ali Michael David, Agricultural Specialist

Report Highlights:

In January 2001, the Government of Nigeria banned bulk imports of vegetable oil and markedly increased duties on packaged and branded oil in response to local producer petitions for protection against imports. Nigeria's annual vegetable oil requirements exceed domestic output by approximately 250,000 tons. Vegetable oil imports, largely palm olein, in calendar year 2000 reached 200,000 tons.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Lagos [NI1], NI

Table of Contents	1
Production	1
Consumption	2
Trade	3
Marketing	3
PSD Table : Oil, Palm	5
Vegetable Oil Import Matrix	6
Price Table : Red Palm Oil	7
PSD table : Oilseed, Palm Kernel	8
Price Table : Oilseed, Palm Kernel	9
PSD Table : Palm Kernel Oil	10
PSD Table : Palm Kernel Meal	11

Production

The GON in its 2001 budget introduced an import ban on bulk vegetable oil. The new regulation states that all vegetable oil imports "shall be branded and packaged in cans." The import duty rate for several vegetable oil types has been increased from 35 percent to 60 percent. The GON's new import guidelines for vegetable oil is in response to a demand for protection against imported vegetable oil made by Nigeria's Vegetable Oil Producers Association. According to the local industry, "unfair competition" from vegetable oil imports threatened the survival of local processors. The Association demanded, and the GON implemented, a ban on bulk vegetable oil imports based on health concerns suggesting that such imports are prone to toxic contamination while being stored and shipped.

Nigeria's overall domestic vegetable oil production fails to adequately supply national requirements by an estimated 250,000 tons per year. More than 60 percent of Nigeria's overall vegetable oil requirement is met from the processing of oil palm fresh fruit bunches into red palm oil and into palm olein. An additional 12 percent is derived from crushing palm kernel into palm kernel oil. Like palm olein, palm kernel oil is not red in color and is merchandised as high-quality vegetable oil in Nigeria. Other oilseeds produced in the country consist of peanut, cottonseed and soybeans. Together, these other oilseeds account for approximately 11 percent of national vegetable oil consumption. The remaining 17 percent of Nigeria's total vegetable oil demand is met by imports.

Almost 85 percent of Nigeria's palm oil production is derived from unorganized wild groves. Supply from this sector is constrained by less than optimal exploitation by peasants due to labor-related harvesting problems. Average crop yield declined in 2000 due to unfavorable weather conditions which resulted in a downward revision of post's estimate of palm oil production from 800,000 to 730,000 tons. Post's recent field survey shows a marked reduction in the output of most state-owned estates in Cross River, Rivers, Imo and Abia States in eastern Nigeria. Operational inefficiencies, mismanagement, and undue government interference in the management of these estates resulted in the closure last year of three of the largest palm estates. Average rainfall in the palm belt during 2000 was less than 10 percent below the 2,230 m.m. average recorded during the past decade. Yield levels on organized estates declined from an average of 12 tons of fresh fruit bunches (ffb) per hectare in 1999 to 9.5 tons per hectare in 2000. Judged by international standards, Nigeria's palm crop yield is low. Nigeria's palm belt is characterized by distinct wet and dry seasons which prevents palm trees from bearing fruit continuously throughout the year. Under ideal cultural practices, Nigerian estates

can achieve 16 tons of fresh fruit bunches per hectare, but average yield achieved by mature fields under estate cultivation in 2000 did not exceed 12 tons ffb per hectare.

Nigeria's palm oil production in 2001 is forecast at 760,000 tons. The larger production figure is based upon our anticipation of improved rainfall and improved yields. Output in 2001 will also benefit from increased grower interest generated by the prospects for higher prices resulting from the recently instituted tariff protection. Estates which recently closed operations are likely to be brought back into production with GON support. The GON has targeted the production of palm seedlings for distribution to smallholder farmers under its poverty alleviation scheme. Under the scheme, palm-producing states in collaboration with the Nigerian Institute for Oil Palm Research (NIFOR) will raise palm seedlings for distribution to farmers at subsidized prices. Cross River and Imo state governments reportedly are seeking Malaysian technical expertise to revamp their ailing estates. Most palm estates visited during our recent field survey report some degree of field expansion and/or rehabilitation. These programs, however, are constrained due to lack of funds. Area under palm cultivation in 2001 is forecast to increase by 3 percent due largely to increased smallholder planting.

Consumption

Nigeria's per capita vegetable oil consumption is estimated at 10.4 kilograms. For a population of approximately 120 million people, Nigeria's overall vegetable oil consumption requirements are estimated at 1.25 million tons. Total domestic production of vegetable oil, however, is less than 1 million tons. A supply deficit of 250,000 tons per year exists. This oil deficit is partially covered by imports.

The combined installed processing capacity of oil palm mills in Nigeria is estimated at 3,000 tons ffb per hour which is adequate to process all ffb produced in the country. Most mills are old and subject to frequent breakdowns. They are unevenly distributed in the palm belt. Harvested fruit often is left unprocessed in the fields and allowed to deteriorate resulting in the production of oil with high free fatty acids. Most mills are devoted to processing fruit produced by organized estates. Wild production generally is processed on-farm by crude means rather than being sent to oil palm mills. With approximately 85 percent of national oil palm output coming from wild or non-commercially cultivated trees, the bulk of Nigeria's output is processed by a cottage-style industry which exhibits low oil extraction rates. Storage and preservation facilities in the country also are grossly inadequate.

Excess capacity exists in downstream palm kernel crushing and oil refining. With the commissioning of two new crushing facilities in 2000, investment in this sector is steadily increasing despite a low level of capacity utilization. This is due largely to low capital risk and a perceived quick return on investment. Currently, the industry's installed palm kernel crushing and refining capacity is in excess of 600,000 tons of kernel per year. This far exceeds total domestic palm kernel production which is forecast at 350,000 tons in 2001. More than 70 percent of all palm kernel oil produced in the country is refined into vegetable oil for human consumption. Competition among palm kernel processors is high, with average industrial capacity utilization falling below 60 percent. Several vegetable oil producing companies, which normally dedicate their activity to processing palm kernel, have diversified their operations to better utilize their installed capacity, by refining crude red palm oil into palm olein.

The Nigerian oil palm and product's market can be categorized into four components:

- ' Direct consumption--Palm oil in both crude (red) and refined (palm olein) form is a major component of the

diet of most Nigerians. In wild groves, harvesting is undertaken primarily for immediate cooking use in rural areas and secondarily for cash, either by sale in the form of fruit or crude oil.

- ' Refining of palm kernel oil for domestic distribution and sale.
- ' Together, crude palm oil, palm olein and palm kernel oil accounts for more than 80 percent of national vegetable oil consumption.
- ' Vegetable oil utilization for the manufacture of industrial products accounts for 20 percent of total vegetable oil consumption.
- ' Export of palm kernel meal. More than 90 percent of all palm kernel meal production is exported to Europe because of low domestic demand by the animal feed industry.

Industrial consumption of palm oil and palm kernel oil in 2000 is estimated at 172,000 tons. This includes 132,000 tons utilized by the soap and detergent industries and 40,000 tons used in producing bakers fat, margarine etc.

Trade

Vegetable oil imports have steadily increased since the ban on imports was lifted in 1999. Based on information obtained from industry sources, we have revised upward our estimate of vegetable oil imports in 2000 to 200,000 tons from 180,000 tons. Imported bulk palm olein, largely supplied by Malaysia and Indonesia, along with small amounts of crude palm oil taken from neighboring West African countries accounts for nearly 100 percent of Nigeria's total vegetable oil imports. Very small quantities of consumer-packaged soybean, corn, and sunflower oil also is imported. Because of stiff competition from imported vegetable oil, domestic price levels have weakened considerably over the past two years. Nevertheless, domestic vegetable oil prices remain well above world market levels. The world market price for crude palm oil fell from \$700 per ton in 1999 to less than \$300 per ton at present while domestic prices fell from about \$800 per ton to \$550 per ton over the same period. Local processors complain that lower-priced imports have adversely affected demand for their products and their profit margins.

Local trade sources maintain that imported palm olein is low-priced reflecting its low quality. Post is informed that in some cases, products received in Nigeria have been rejected by other markets. Additionally, comments within the industry indicate that palm olein imports are routinely under-invoiced as a means of minimizing duty payments. Local processors welcome the new import restrictions with cautious optimism and are quick to add that a long-term solution for the industry demands government support in helping to create a macro environment which improves profitability.

Marketing

The GON's import ban on bulk vegetable oil and the higher duty rate on branded and packaged vegetable oil product will limit oil imports in 2001. Vegetable oil imports are forecast at 170,000 tons this year, down from 200,000 tons in 2000. When Nigeria's value added tax, port surcharges, and other tax assessments are included, the effective duty rate on vegetable oil imports increases to more than 70 percent. Local vegetable oil producers enjoy the added advantage of being exempted from payment of VAT. Trade sources indicate that the restriction on bulk importation will discourage imports of cheap, low quality oil. The GON hopes that the additional cost required in packaging and branding of imported vegetable oil will enhance the price competitiveness of local producers.

Local processors/importers are petitioning the GON for special import privileges to circumvent the import ban on bulk oil. Additionally, the negative trade impact of the new tariff rates will be muted by commonly accepted Nigerian business practices. Prominent Nigerian importers of Agricultural products routinely avoid payment of duties or

circumvent import regulations through under-invoicing schemes or collusion with local officials. Small amounts of consumer packaged high-quality U.S. vegetable oil do enter Nigeria through neighboring countries. To a large extent this represents undocumented and unregulated trade.

The higher duties on imported vegetable oil create marketing opportunities for U.S. exporters of tallow. Local soap manufacturers indicate that they likely will rely more heavily on imported tallow and less on palm oil to sustain their soap making operations in 2001. At present, soap manufacturers pay approximately \$560 per ton for locally-produced palm oil compared to \$430 per ton for imported tallow. Nigeria's import duty on tallow has been retained at 5 percent.

Available U.S. export data show 30,500 tons of inedible tallow was shipped to Nigeria during the October 1999-September 2000 marketing year compared to 20,253 tons a year earlier. U.S. tallow exports to Nigeria, however, still fall below the level recorded in the early 1990's when shipments reached 60,000 tons. U.S. exporters of consumer packaged vegetable oil will benefit from the marketing opportunities created by the GON's new import regulations and the country's domestic production deficit.

February 6, 2001 Exchange rates: US\$1 = 108.85 Naira

PSD Table : Oil, Palm

PSD Table						
Country	Nigeria					
Commodity	Oil, Palm				(1000 HA)(1000 TREES)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Planted	2610	2610	2615	2615	0	2700
Area Harvested	2605	2605	2610	2610	0	2620
Trees	260000	260000	270000	270000	0	280000
Beginning Stocks	20	20	30	30	25	30
Production	760	760	800	730	0	760
MY Imports	180	180	180	200	0	170
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	960	960	1010	960	25	960
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	185	185	195	140	0	150
Food Use Dom. Consump.	745	745	790	790	0	790
Feed Waste Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	930	930	985	930	0	940
Ending Stocks	30	30	25	30	0	20
TOTAL DISTRIBUTION	960	960	1010	960	0	960
Calendar Year Imports	180	180	180	200	0	170
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Vegetable Oil Import Matrix

Import Trade Matrix			
Country	Nigeria		
Commodity	Vegetable Oil		
Time period	Jan - Dec	Units:	
Imports for:	1999		2000
U.S.		U.S.	
Others		Others	
Malaysia/indone	150		170
Ghana	10		15
Ivory Coast	10		10
Others	10		5
Total for Others	180		200
Others not Listed			
Grand Total	180		200

Price Table : Red Palm Oil

Prices Table			
Country	Nigeria		
Commodity	Oil, Palm		
Prices in	Naira	per uom	Ton
Year	1999	2000	% Change
Jan	55,000	42,000	-23.64%
Feb	55,000	40,000	-27.27%
Mar	50,000	38,500	-23.00%
Apr	50,000	40,000	-20.00%
May	48,000	44,000	-8.33%
Jun	48,000	46,000	-4.17%
Jul	46,000	48,000	4.35%
Aug	43,000	47,000	9.30%
Sep	43,000	47,000	9.30%
Oct	42,000	50,000	19.05%
Nov	42,000	50,000	19.05%
Dec	40,000	53,000	32.50%
Exchange Rate	108.85/1	Local currency/US \$	

PSD table : Oilseed, Palm Kernel

PSD Table						
Country	Nigeria					
Commodity	Oilseed, Palm Kernel				(1000 HA)(1000 TREES)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Planted	2610	2610	2610	2615	0	2700
Area Harvested	2605	2605	2605	2610	0	2620
Trees	260000	260000	260000	270000	0	280000
Beginning Stocks	10	10	10	10	10	10
Production	350	350	350	320	0	350
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	360	360	360	330	10	360
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	340	340	350	310	0	340
Food Use Dom. Consump.	0	0	0	0	0	0
Feed,Seed,Waste Dm.Cn.	10	10	0	10	0	10
TOTAL Dom. Consumption	350	350	350	320	0	350
Ending Stocks	10	10	10	10	0	10
TOTAL DISTRIBUTION	360	360	360	330	0	360
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Price Table : Oilseed, Palm Kernel

Prices Table			
Country	Nigeria		
Commodity	Oilseed, Palm Kernel		
Prices in	Naira	per uom	Ton
Year	1999	2000	% Change
Jan	31660	19,500	-38.41%
Feb	34688	15,900	-54.16%
Mar	25400	16,300	-35.83%
Apr	26000	17,600	-32.31%
May	24200	20,300	-16.12%
Jun	23400	19,100	-18.38%
Jul	24000	21,300	-11.25%
Aug	24400	21,300	-12.70%
Sep	23100	21,600	-6.49%
Oct	23000	22,800	-0.87%
Nov	23400	26,000	11.11%
Dec	18000	23,700	31.67%
Exchange Rate	108.85/1	Local currency/US \$	

PSD Table : Palm Kernel Oil

PSD Table						
Country	Nigeria					
Commodity	Oil, Palm Kernel				(1000 MT)(PERCENT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	340	340	350	310	0	340
Extr. Rate, 999.9999	0.426471	0.426471	0.425714	0.425806	ERR	0.426471
Beginning Stocks	10	10	10	10	10	10
Production	145	145	149	132	0	145
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	155	155	159	142	10	155
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	45	45	47	32	0	45
Food Use Dom. Consump.	100	100	102	100	0	100
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	145	145	149	132	0	145
Ending Stocks	10	10	10	10	0	10
TOTAL DISTRIBUTION	155	155	159	142	0	155
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table : Palm Kernel Meal

PSD Table						
Country	Nigeria					
Commodity	Meal, Palm Kernel				(1000 MT)(PERCENT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	340	340	350	310	0	340
Extr. Rate, 999.9999	0.555882	0.555882	0.551429	0.554839	ERR	0.552941
Beginning Stocks	10	10	10	10	10	10
Production	189	189	193	172	0	188
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	199	199	203	182	10	198
MY Exports	179	179	183	155	0	170
MY Exp. to the EC	140	140	140	150	0	160
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	10	10	10	17	0	18
TOTAL Dom. Consumption	10	10	10	17	0	18
Ending Stocks	10	10	10	10	0	10
TOTAL DISTRIBUTION	199	199	203	182	0	198
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0